

Inspector General

United States
Department *of* Defense



Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 06 APR 2007		2. REPORT TYPE		3. DATES COVERED 00-00-2007 to 00-00-2007	
4. TITLE AND SUBTITLE Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) ODIG-AUD Department of Defense Inspector General, 400 Army Navy Drive Suite 801, Arlington, VA, 22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 24	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Office of the Deputy Inspector General for Auditing at (703) 604-9142 (DSN 664-9142) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

DEPARTMENT OF DEFENSE



To report fraud, waste, mismanagement, and abuse of authority.

Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900
Phone: 800.424.9098 e-mail: hotline@dodig.mil www.dodig.mil/hotline

Acronyms

CEFMS	Corps of Engineers Financial Management System
EM	Emergency Management
EP	Engineering Pamphlet
FEMA	Federal Emergency Management Agency
MSC	Major Subordinate Command
RM	Resource Management
USACE	U.S. Army Corps of Engineers



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

April 6, 2007

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Financial Management of Hurricane Katrina Relief Efforts at the
U.S. Army Corps of Engineers (Report No. D-2007-081)

We are providing this report for review and comment. We performed this audit in support of Public Law 109-62. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The U.S. Army Corps of Engineers comments were partially responsive. Therefore, we request that the Commander, Army Corps of Engineers provide comments on Recommendation 4 by May 7, 2007.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to AUDDFS@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Lorin T. Pfeil at (703) 325-5568 (DSN 221-5568) or Ms. Pauletta P. Battle at (703) 325-6020 (DSN 221-6020). See Appendix E for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto".

Paul J. Granetto
Assistant Inspector General and Director
Defense Financial Auditing Service

Department of Defense Office of Inspector General

Report No. D-2007-081

(Project No. D2006-D000FE-0010.001)

April 6, 2007

Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers

Executive Summary

Who Should Read This Report and Why? DoD financial managers and personnel responsible for the accounting and reporting of reimbursable funds to support national emergencies should read this report. The report discusses the accounting and reporting of the Federal Emergency Management Agency (FEMA) reimbursable funding authority as well as funding received from Congress to support Hurricane Katrina relief efforts at the United States Army Corps of Engineers (USACE).

Background. USACE is the nation's primary Federal engineering agency. USACE also provides technical advice to State and Federal officials by inspecting and assessing damaged areas. On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing major damage and loss of life in Alabama, Louisiana, and Mississippi. FEMA, the primary Federal agency responsible for providing emergency relief in the United States, gave reimbursable funding authority to USACE to provide support and other humanitarian assistance to the victims of the hurricane. In September 2005, the House Government Reform Committee and its Subcommittee on Financial Management (now the Subcommittee on Government Management, Finance, and Accountability) tasked the Secretary of Homeland Security to coordinate with the DoD Office of Inspector General to audit and provide oversight to ensure that FEMA funds were used for their intended purposes. This report is one in a series discussing the use of DoD resources to support Hurricane Katrina relief efforts.

Results. USACE reporting of obligations related to Hurricane Katrina relief efforts was not always timely and efficient. Specifically, USACE did not make timely updates to the Corps of Engineers Financial Management System or perform timely closeouts of mission assignments. USACE also did not reconcile mission assignments and corresponding amendments with FEMA and did not track all funding from Congress. As a result, USACE increased the risk of not accurately reporting obligations and expenditures. (See the Finding section of the report for the detailed recommendations.)

Management Comments and Audit Response. The Commander, U.S. Army Corps of Engineers concurred with the recommendations and comments were fully responsive, except for one recommendation. Thus, we request that the Commander, U.S. Army Corps of Engineers comment on this report by May 7, 2007. See the Finding section of

the report for a discussion on management comments and the Management Comments section of the report for the complete text of the comments.

Management Actions. The Commander, U.S. Army Corps of Engineers was proactive in efforts to improve financial management and is in the process of revising EP 37-1-6. The estimated released date for the revised EP 37-1-6 is June 1, 2007.

Table of Contents

Executive Summary	i
Background	1
Objectives	2
Finding	
Accounting for U.S. Army Corps of Engineers Hurricane Relief Efforts	3
Appendixes	
A. Scope and Methodology	9
B. Prior Coverage	10
C. Other Matters of Interest	11
D. Closeout Process	12
E. Report Distribution	13
Management Comments	
U.S. Army Corps of Engineers	15

Background

On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing major damage and loss of life in Alabama, Louisiana, and Mississippi. Following Hurricane Katrina, Hurricane Rita hit the Texas-Louisiana border on September 24, 2005, and Hurricane Wilma hit Florida on October 24, 2005. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) authorizes the Federal Emergency Management Agency (FEMA) to provide disaster response and recovery assistance to affected States and jurisdictions. Further, the Stafford Act authorizes FEMA to engage the resources of other Federal departments and agencies to provide disaster assistance. Under this authority, FEMA tasked the U.S. Army Corps of Engineers (USACE) to perform specific mission assignments* to provide relief and other humanitarian assistance to the victims of the hurricanes. We have used the term Hurricane Katrina relief efforts to describe relief efforts for all three hurricanes.

This audit was performed in support of Public Law 109-62, “Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina, 2005,” September 8, 2005. The Law requires the Inspector General, Department of Homeland Security, to audit and investigate funds expended on Hurricane Katrina response and recovery activities. Additionally, the House Government Reform Committee and its Subcommittee on Financial Management (now the Subcommittee on Government Management, Finance, and Accountability) issued a letter to the Secretary of Homeland Security on September 15, 2005. This letter tasked the Secretary to coordinate with the DoD Office of Inspector General to increase its auditing and investigative capabilities to ensure that the funds were used for their intended purposes. This report is specific to USACE, but is one in a series of reports discussing the use of DoD resources to support the Hurricane Katrina relief efforts.

U.S. Army Corps of Engineers. USACE is the nation’s primary Federal engineering agency. During times of emergencies and natural disasters, USACE duties include, but are not limited to, providing drinking water and ice, cleaning up debris, providing auxiliary power, and making repairs. Additionally, USACE provides technical advice to State and Federal officials by inspecting and assessing damaged areas. In response to Hurricane Katrina, FEMA provided USACE funding authorization through 552 mission assignments and respective amendments, valid for reimbursable work. Upon receipt of mission assignments, USACE established work items in the Corps of Engineers Financial Management System (CEFMS). USACE received mission assignments, either verbal or

* Mission assignments are funding documents for a specific mission (task) that FEMA provided to USACE that described a particular assistance or tasking that USACE performed.

written, directly from FEMA to enter funding into CEFMS. All verbal authorizations were documented by USACE personnel in a Memorandum for Record, followed by a FEMA Form 90-129 within two to three days.

Mission Closeouts. USACE Engineering Pamphlet 37-1-6, “Resource Management Functional Guide for Civil Emergency Management Programs,” August 1, 2005 (EP 37-1-6), requires financial closeout of a mission as soon as possible, but no later than 90 days after physical completion of the mission. Upon completion of work on a mission assignment, USACE must notify FEMA and prepare a physical closeout memorandum to be signed by FEMA. After the physical closeout, all funds pertaining to the mission assignment should be de-committed and de-obligated. Once the funds are de-committed and de-obligated, USACE issues a financial closeout memorandum to FEMA.

Objectives

The audit objective was to determine whether DoD, specifically USACE, obligations and expenditures related to the Hurricane Katrina reconstruction and relief efforts were timely and efficiently executed and in accordance with applicable laws and regulations. See Appendix A for a discussion of the scope and methodology related to the audit objective and Appendix B for prior coverage.

Review of Internal Controls

The U.S. Army Corps of Engineers internal controls are adequate. We identified no material internal control weaknesses in the reporting of obligations and expenditures related to Hurricane Katrina relief efforts.

Accounting for U.S. Army Corps of Engineers Hurricane Relief Efforts

USACE reporting of obligations related to Hurricane Katrina relief efforts was not always timely and efficient. Specifically, USACE did not make timely updates to CEFMS or perform timely closeouts of mission assignments. This occurred because USACE resource management civil disaster policies lacked detailed guidance on entering data in CEFMS and USACE personnel did not comply with USACE resource management civil disaster policies for closing out mission assignments. In addition, USACE did not reconcile mission assignments and corresponding amendments with FEMA. USACE also did not efficiently track all supplemental funding received from Congress by specific hurricane. As a result, USACE increased the risk of not accurately reporting obligations and expenditures.

Reporting of Obligations

USACE reporting of obligations related to Hurricane Katrina relief efforts was not always timely and efficient. Specifically, USACE did not make timely updates to CEFMS. In addition, mission assignments in CEFMS were obligated beyond the required closeout date. As a result, USACE increased the risk that some information reported in CEFMS is not accurate.

CEFMS Updates. USACE districts did not make timely updates to CEFMS. Specifically, as of May 2006, pre-declaration funds for mission assignments issued from August 2005 through October 2005 remained in CEFMS with funding currently obligated. Pre-declaration funds activate emergency support personnel prior to the occurrence of a disaster and can only be used for a maximum of 7 to 10 days. For the nine USACE sites reviewed, \$20.9 million in allocations and \$2.7 million in obligations remained open in CEFMS. Because pre-declaration funds can only be used for 7 to 10 days, there should have been no open obligations associated with pre-declaration mission assignments as of May 2006. Once these missions were determined to be physically and financially complete, USACE should have issued closeout memorandums and returned excess funds to FEMA. However, as of November 2006, USACE had \$19.9 million in allocations and \$1.2 million in open obligations remaining in CEFMS for pre-declaration funding.

District Closeouts. USACE districts were not timely in closing out mission assignments. According to USACE documentation, FEMA issued 552 mission assignments and respective amendments for USACE to provide disaster

assistance. We reviewed 535 of those mission assignments and amendments as part of our sample. In May 2006, 256 mission assignments and amendments, totaling \$1.2 billion, remained open in CEFMS although the mission assignment timelines were complete. As of October 2006, 228 mission assignments, totaling \$1.14 billion, remained open with USACE. The table shows the USACE sites with open mission assignments.

Open Mission Assignments in CEFMS as of October 2006		
USACE Sites	Number of Mission Assignments and Corresponding Amendments	Mission Assignment Total Dollar Values (millions)
Mobile	16	\$ 153.3
New Orleans	7	3.1
Vicksburg	59	196.0
South Atlantic Division	20	1.8
Charleston	15	249.6
Jacksonville	44	223.4
Memphis	10	3.2
Wilmington	22	262.4
Galveston	35	48.3
Totals	228	\$1,141.1

Civil Disaster Policies

CEFMS Guidance. USACE resource management civil disaster policy, EP 37-1-6, provides guidance on executing USACE Emergency Management Program and deployment instructions, but lacks specific details on how to enter data into CEFMS. At several districts, the mission assignment values were entered as a cumulative amount in CEFMS instead of as individual amounts as received from FEMA. For example, USACE initially received verbal mission

assignment 1605DR-AL-COE-SAD-09 totaling \$5 million. USACE entered the \$5 million into CEFMS. When USACE received the hardcopy FEMA Form 90-129, the amount reflected on the document was \$20 million. Instead of removing the initial \$5 million from CEFMS and re-entering \$20 million, USACE added an amendment totaling \$15 million. The amount in CEFMS was the correct cumulative amount. However, supporting documentation was inconsistent with the entries into CEFMS and reconciliation with FEMA was difficult and time consuming. USACE should update EP 37-1-6 with detailed guidance on entering data into CEFMS to facilitate reconciliation to supporting documentation and data reported by FEMA.

Closeout Requirements. USACE did not comply with USACE resource management civil disaster policies for closing out mission assignments. EP 37-1-6 requires closeout within 90 days after the mission is completed. Once the mission is completed, USACE should issue a physical closeout memorandum notifying FEMA. Within 90 days after physical closeout, USACE should de-obligate the remaining funds and issue a financial closeout memorandum to FEMA specifying the funds available for return. For example, physical closeout of mission assignment 7220SU-AL-COE-SAD-22 was official on September 6, 2005. As of June 2006 (more than 230 days), USACE had not closed out the mission assignment. See Appendix D for an illustration of USACE physical and financial closeout processes for mission assignments.

Reconciliation of FEMA Mission Assignments

Inconsistencies existed between the information reported by FEMA and the information in CEFMS. Specifically, FEMA and USACE reported different mission assignment totals. After we initially reconciled information provided by FEMA and USACE, we identified that USACE was missing 131 mission assignments. During our site visits and through correspondence with the USACE districts in our sample, we requested copies of the missing mission assignments. The districts were unable to locate the missing mission assignments and corresponding amendments. After we met with USACE headquarters personnel, USACE personnel located 81 of the missing mission assignments, but 50 remained missing. This directly impacts the accuracy of the information reported in CEFMS. USACE districts should reconcile mission assignments monthly with FEMA to ensure that the information reported in CEFMS is consistent with the information reported by FEMA. This would also ensure receipt of all mission assignments, the correct dollar value of mission assignments, and coordinated closeouts of all mission assignments.

USACE Billings. We reviewed a random sample of 110 billings, totaling \$297.9 million, for nine USACE sites. As of May 2006, FEMA had not paid 26

of the 110 billings. The unpaid billings make up \$264 million of the total dollars reviewed. For example, one of the bills under mission assignment 1603DR-LA-COE-MVD-07, in the amount of \$173.6 million, reflected a bill date of December 2005, but was not paid by FEMA as of May 2006. According to USACE personnel, FEMA is behind in processing payments and it is unclear how many of the USACE bills FEMA will return unpaid.

FEMA Closeouts. Although USACE provided timely memorandums to FEMA to close out mission assignments that have met the requirements for physical and financial closeout, in some instances obligations for these mission assignments remained in CEFMS. Obligations remained in CEFMS because FEMA did not respond timely to USACE memorandums to closeout the mission assignments. According to USACE personnel, the obligations remain in CEFMS until FEMA issues negative mission assignments to de-obligate the funds. Because of FEMA's delayed response, USACE was prevented from timely updating CEFMS and CEFMS showed obligated funds that should have been de-obligated. For example, on January 10, 2006, USACE issued a memorandum to FEMA to close out mission assignment 3214EM-AL-COE-SAD-07. The mission assignment was determined to be physically and financially complete. As of May 2006, FEMA had not issued the proper documentation revoking the funds. As a result, USACE could not remove the funds from CEFMS. In addition to FEMA not responding to closeout memorandums, FEMA also closed out mission assignments and de-obligated funds without proper and timely notification to USACE.

Tracking Congressional Funding

USACE did not efficiently track by specific disaster all supplemental funding received from Congress. USACE received supplemental funding from Congress in the second Congressional Appropriation for Hurricane Katrina, Public Law 109-62, the third appropriation, Public Law 109-148, and the fourth appropriation, Public Law 109-234. For the second supplemental appropriation, USACE was required by law to report obligations and expenditures to the Office of Management and Budget, as well as to Congress, on a weekly basis until USACE reached an obligation rate of 100 percent. For the third and fourth supplemental funding appropriations, there were no reporting requirements. In anticipation of future requests from Congress, USACE has been tracking their obligations and expenditures for the third and fourth supplemental appropriations. This information, however, was not gathered and reported throughout the process, which created a labor-intensive effort to summarize the information. Additionally, because of the lack of system tracking codes attached to each appropriation, USACE had to pull the information manually. This process increased the risk for errors and improper reporting. Because this

funding does not expire, the lack of tracking codes unique to a specific disaster also increases the difficulty to track obligations and expenditures in the future. USACE should implement system tracking codes specific to each disaster for supplemental funding to ensure the proper tracking of information and to minimize human error.

Recommendations, Management Comments, and Audit Response

We recommend that the Commander, U.S. Army Corps of Engineers:

1. Update Engineering Pamphlet 37-1-6 with detailed guidance on entering data into the Corps of Engineers Financial Management System to facilitate reconciliation to supporting documentation and data reported by the Federal Emergency Management Agency and uniformity among the U.S. Army Corps of Engineers districts.

Management Comments: The Commander, U.S. Army Corps of Engineers concurred with the recommendation. Updates to EP 37-1-6 include instructions on how to reconcile verbal mission assignments with actual mission assignments.

2. Update Engineering Pamphlet 37-1-6 to reflect the reasonable timelines needed to effectively perform mission assignment closeouts.

Management Comments. The Commander, U.S. Army Corps of Engineers concurred with the recommendation. EP-37-1-6, dated August 2005, states that financial closeouts should be completed no later than 90 days after mission completion. The revised EP-37-1-6, scheduled for release on June 1, 2007, has a new chapter discussing detailed timelines for physical and financial closeouts.

3. Require districts to perform monthly reconciliations of mission assignments with the Federal Emergency Management Agency to ensure that the information reported in the Corps of Engineers Financial Management System is consistent with the information reported by the Federal Emergency Management Agency. This would also ensure receipt of all mission assignments, the correct dollar value of mission assignments, and coordinated closeouts of all mission assignments.

Management Comments. The Commander, U.S. Army Corps of Engineers concurred with the recommendation. The revised EP-37-1-6, scheduled for release in June 2007, includes a requirement for monthly reconciliation between the U.S. Army Corps of Engineers' and the Federal Emergency Management Agency's financial management systems.

4. Implement system tracking codes specific to each disaster and by appropriation for supplemental funding to ensure information is properly tracked and to minimize human error.

Management Comments. The Commander, U.S. Army Corps of Engineers concurred with the recommendation. The U.S. Army Corps of Engineers is working to enhance the report to capture all direct funds “identified to a specific hurricane or event for the non-FEMA supplemental funding” received.

Audit Response. Comments from the Commander, U.S. Army Corps of Engineers are partially responsive. We request clarification on the U.S. Army Corps of Engineers process to identify supplemental funding by specific disaster and appropriation.

Appendix A. Scope and Methodology

We performed this audit to determine whether DoD obligations and expenditures related to the Hurricane Katrina reconstruction effort were timely and efficiently executed and were in accordance with applicable laws and regulations. This audit was required by Public Law 109-062.

We performed our audit at USACE Headquarters and nine USACE sites from February 2006 through November 2006 in accordance with generally accepted government auditing standards. We interviewed USACE personnel working in the areas of resource management, emergency management, and budget. We obtained CEFMS queries detailing USACE mission assignments by district and reviewed engineering policies and regulations for civil works emergency management. We visited and conducted interviews at the Mobile, New Orleans, Vicksburg, and Charleston Districts and the South Atlantic Division to obtain documentation on obligations and expenditures. We also requested documentation regarding obligations and expenditures from the Jacksonville, Memphis, Wilmington, and Galveston Districts through a data call. We reviewed mission assignments and the corresponding amendments and billings. We also reviewed supplemental funding, including work authorization documents, detailed cost ledger, and reports on status of appropriation and work allowances, civil works funds, and the civil status of funds by appropriation.

Use of Computer-Processed Data. We relied on computer-processed data such as queries from CEFMS to determine the universe of the items we reviewed. We did not evaluate the general and application controls for CEFMS. We compared the CEFMS data to hard copy mission assignments and amendments to determine the accuracy and reliability of the computer-processed data. Not performing the general and application controls of CEFMS did not affect the results and conclusions of our review.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk areas.

Appendix B. Prior Coverage

During the past 5 years, the GAO, DoD IG, and the Naval Audit Services have published reports relating to the Hurricane Katrina relief efforts. Unrestricted GAO reports and testimonies can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed over the Internet at <http://www.dodig.mil>. Unrestricted Navy reports can be accessed at <http://www.hq.navy.mil/NavalAudit>.

GAO

GAO Report No. GAO-06-643, “Better Plans and Exercises Needed to Guide the Military’s Response to Catastrophic Natural Disasters,” May 2006

GAO Report No. GAO-06-454, “Army Corps of Engineers Contract for Mississippi Classrooms,” May 2006

DoD IG

DoD IG Report No. D-2006-118, “Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components,” September 27, 2006

DoD IG Report No. D-2006-116, “Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers,” September 26, 2006

DoD IG Report No. D-2006-109, “Response to Congressional Request on the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers,” August 29, 2006

Naval Audit Services

Naval Audit Service Report No. N2006-0047, “Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Funds,” September 22, 2006

| Naval Audit Service Report No. N2006-0015, “Chartered Cruise Ships,” February 16, 2006

Appendix C. Other Matters of Interest

Interest Charges

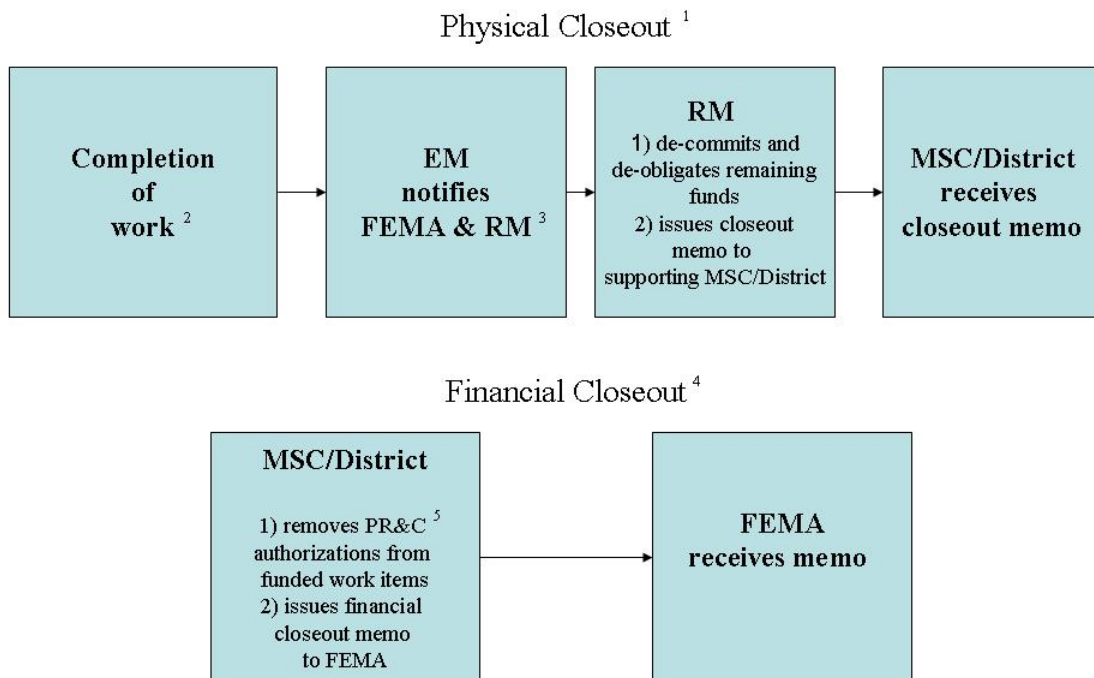
USACE is required to pay interest charges incurred on FEMA-related work. According to an October 10, 2000, memorandum issued by USACE to the Major Subordinate Commands (MSC), any interest charges incurred against projects related to FEMA are not reimbursable. Specifically, under the Stafford Act, the responsible party should pay the interest charges from the applicable overhead account. Thus, based on information provided by FEMA and USACE, DoD OIG auditors selected a random sample of 110 bills to review.

We determined that there was \$2,069 in total interest charges. USACE personnel stated that in accordance with the October 2000 memorandum, interest charges incurred and billed to FEMA are reversed in future billing cycles. We did not follow each interest charge to a future billing cycle to validate that interest charges were reversed. However, negative interest charges were included on the bills in the sample, indicating that USACE personnel were reversing the charges.

Although interest charges were determined to be insignificant for this audit, the potential exists for interest charges to be significant in the future. Further, to comply with the Stafford Act and EP 37-1-6 for future disasters and to avoid the potential for more significant interest charges, USACE should enforce the timely submittal of vendor invoices and bills. Timely submittal of vendor invoices facilitates timely payments and thus eliminates interest costs.

Appendix D. Closeout Process

USACE Closeout Process



Physical Closeout Process Notes:

1. All physical closeouts are done by an Emergency Support Function (ESF #3) Team Leader/Alternate Team Leader and sent to the Division once it is signed by FEMA.
2. Each mission assignment issued by FEMA specifies a start date and an end date. The closeout process begins upon completion of the work on the mission assignment, which should correspond to the mission assignment end date.
3. Emergency Management (EM) is responsible for notifying FEMA and Resource Management (RM) when the work is completed. RM maintains a copy of the physical closeout memorandum on file.

Financial Closeout Process Notes:

4. A signed physical closeout memorandum from the Division EM Office initiates financial closeout. Financial closeout should be accomplished as soon as possible, but not later than 90 days after mission completion.
5. A PR&C is a Purchase Request and Commitment.

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Joint Staff

Director, Joint Staff

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Commander, U.S. Army Corps of Engineers

Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Non-Defense Federal Organization

Office of Management and Budget
Director, Federal Emergency Management Agency

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs

House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Finance, and Accountability,
Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International
Relations, Committee on Government Reform

Commander, U.S. Army Corps of Engineers Comments



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G ST. NW
WASHINGTON, D.C. 20314-1000

CEIR

8 March 2007

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy Drive, Arlington, VA 22202-4704

SUBJECT: DoD IG Draft Report Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineering D2006FE-0010.001

1. Following are the USACE Command Comments to the subject draft.

a. Recommendation 1 - Concur. The EP 37-1-6 has been updated to include instructions to assist reconciliation of verbal mission assignments with the actual mission assignments. This change will take place in Chapter 5, Paragraph 5-3. The change will reflect: When the actual MA is received by the supported MSC/District, any differences between the previous verbal MA and the actual MA, will be corrected by including the revised MA in the MA number field in the CEFMS customer order screen. Also, in the remarks section of the CEFMS customer order screen, the MSC/District will be required to explain any differences in dollar amounts, MA numbers and date changes. This will track verbal MAs with the actual MAs received from FEMA. We anticipate issuing the revised EP June 1, 2007.

b. Recommendation 2 - Concur. This is already implemented per EP 37-1-6 dated August 05, Paragraph 5.9.g, which establishes a requirement for financial closeout NLT 90 days after mission completion. This requirement applies to both pre-declaration and post-declaration missions. Additionally, a whole Chapter to EP 37-1-6 has been added (Chapter 8) in the revised draft, which includes detailed timelines for Physical Closeout (Paragraph 8-3) and Financial Closeout (Paragraph 8-4) for the different types of costs associated with a FEMA mission assignment. We anticipate issuing the revised EP June 1, 2007.

c. Recommendation 3 - Concur. The EP 37-1-6 has been revised. We have incorporated a requirement for monthly reconciliation between the USACE and FEMA financial management systems to ensure The Mission Assignments and corresponding dollar amounts that we have received (verbal or regular) from FEMA are equal between both agencies. This reconciliation will be reviewed by HQs USACE and coordinated with FEMA. We anticipate issuing the revised EP June 1, 2007.

d. Recommendation 4 - Concur. We currently have a process for identifying supplemental funding by disaster. However, we are working on improving on this internally within USACE (Civil Works and Resource Management Directorates). We are

CEIR


8 March 2007

SUBJECT: DoD IG Draft Report Financial Management of Hurricane Katrina Relief
Efforts at the U.S. Army Corps of Engineering D2006FE-0010.001

currently working on enhancing this report to capture all direct USACE funds identified to a specific hurricane or event for the non-FEMA supplemental funding we receive. Currently we have procedures in place that identify costs associated with specific hurricanes for the FEMA missions.

2. Please contact either myself or Ms. Alicia Matias (202-761-4573) if you have questions.

FOR THE COMMANDER:


DONNA F. JOHNSON
Acting Chief Audit Executive
HQ, U. S. Army Corps of Engineers

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Paul J. Granetto
Patricia A. Marsh
Lorin T. Pfeil
Pauletta P. Battle
Shaneen J. Beamish
Theresa S. Hull
Leilani M. Melendez
Erin S. Hart



Inspector General Department of Defense

